

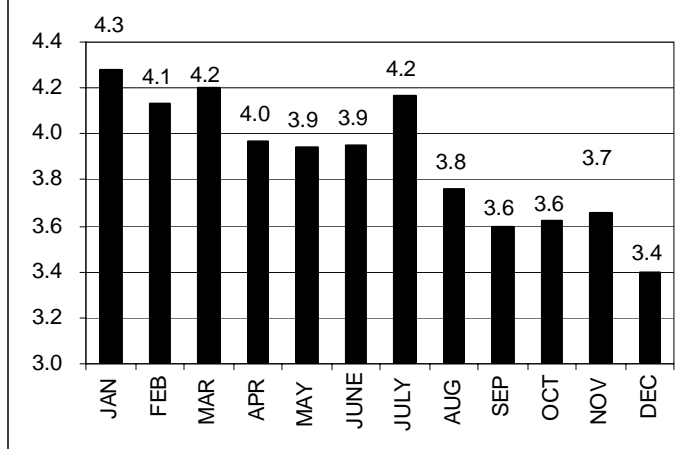
Idaho's Economy Continues Astounding Growth

More than a year ago, Idaho Commerce & Labor analysts were confident the state had laid a solid economic foundation for strong growth during 2005. But none had predicted what has become an historic 12 months – and possibly only the beginning of an historic multi-year period in Idaho's economic history.

After a string of seasonally adjusted monthly unemployment rates below 4 percent, the year ended with another record low rate – a remarkable 3.4 percent. It was a full percentage point below the year-earlier rate and resulted in an annual average rate for 2005 of 3.9 percent – the first time ever Idaho has had a year with unemployment below 4 percent. It was also the first year none of the resource-reliant rural counties posted average annual unemployment rates in double digits.

But not only was the rate low. The actual number of workers without jobs in December fell to 24,700, the smallest number of people out of work since July 1979. What makes this notable is that the labor force has grown from 489,000 in 1979 to over 737,000 by the end of 2005 for a 50 percent increase.

FYI Chart 1: Idaho Monthly Unemployment Rates 2005



At the end of 2005, there were 36,500 more people at work across the state than when 2004 ended.

To underscore how solidly Idaho came through the national recession and the years right after it, the state ranked in the top 10 in creating new nonfarm jobs during 2003 and 2004.

Idaho increased nonfarm jobs by 3.8 percent during those 24 months while the economy nationally gained just 1.4 percent.

But during 2005, nonfarm jobs in Idaho expanded by another 4.5 percent – triple the national rate and again one of the highest growth rates in the country.

Nearly \$124 million in business expansion projects were completed in Idaho last year, and another \$42 million in projects were announced or under way before year's end. Those projects alone added 790 new jobs to the economy in 2005 while more than 300 more jobs will be added this year.

While fueled by the dramatic population growth the state is still experiencing – another 2.4 percent from mid-2004 to mid-2005 – job opportunities have expanded more rapidly than the population would have dictated. In fact, there are areas of the state with shortages in some job skills – welders in northern Idaho and some other locales and machinists in parts of south central Idaho as examples.

Combined with the revisions made last year in the Unemployment Insurance program, improving economic circumstances significantly reduced demand for unemployment benefits. Benefit payments in 2005 were down about 16 percent from 2004 and 41 percent from their peak in 2003. See FYI Chart 3 on page 22 for more details.

And the number of initial claims – those being filed by workers who have just been laid off – was down about 12 percent in 2005 from 2004.

The brightening economic picture is again being driven by construction – up nearly 10 percent, or another 4,000 jobs, in the current fiscal year. But there has been steady growth in most sectors:

- 3.5 percent in wholesale trade
- 3 percent in retail trade
- 4.4 percent in finance
- 7.4 percent in real estate
- 7 percent in education
- 3.7 percent in health care and social services.

Even manufacturing showed growth at nearly 1 percent despite persisting global pressures on that sector.

Economic development incentives have complemented Idaho's fundamental attractions – quality of life, skilled work force and low business costs that draw many new businesses to Idaho and convince existing ones to remain in the state and expand.

The Rural Idaho Initiative has helped spread growth beyond Idaho's urban centers. In the past four years, three dozen grants of up to \$500,000 each have financed infrastructure improvements that have been critical to attracting or retaining 800 jobs in rural Idaho.

Those investments also improve chances for communities to attract more new employers in the future.

The Workforce Development Training Fund, providing up to \$3,000 each to train employees for businesses locating or expanding in rural Idaho, contributed to nearly 900 new jobs at companies in 19 communities.

This expansion has helped offset the drastic impact the national recession had on Idaho's high-tech sector and the high-wage, high-skilled jobs it provides.

Some 15,000 manufacturing jobs disappeared during the downturn — a third of them high-tech. Idaho Commerce & Labor's Research and Analysis Bureau estimates the lost wages during that period at \$5 billion with \$2.2 billion in the high-tech sector alone. In 2001, the private industry average annual wage dropped from the previous year for only the second time in history. The first was in 1938 as Idaho struggled to break free of the depression.

Today, Idaho is essentially back to the pre-recession employment levels in manufacturing, although the occupation mix is different.

High-tech employment appears to have bottomed out in 2003 and is slowly growing again. But it is still thousands of jobs short of the 2001 peak — jobs that average nearly twice Idaho's average wage.

While overall employment in the goods-producing sector is back to pre-recession levels, thousands of new jobs in construction offset declines in food processing,

timber, electronics and other traditional manufacturing industries.

Construction should remain behind the growth on the production side of the economy over the next 18 months although not at the levels of the past several years. While interest rates have been rising, they remain low by historic standards. But as economies in other states improve, the migration into Idaho will slow, easing demand for new homes.

Commercial construction employment should be stable at existing levels. But the decisions made by Gov. Dirk Kempthorne and the Legislature about handling the Supreme Court's decision on school construction could increase employment should they immediately provide state money to help replace deteriorating school buildings. The Supreme Court ordered the state in December to revise its school construction process, which up to now has placed the financial burden solely on local school districts.

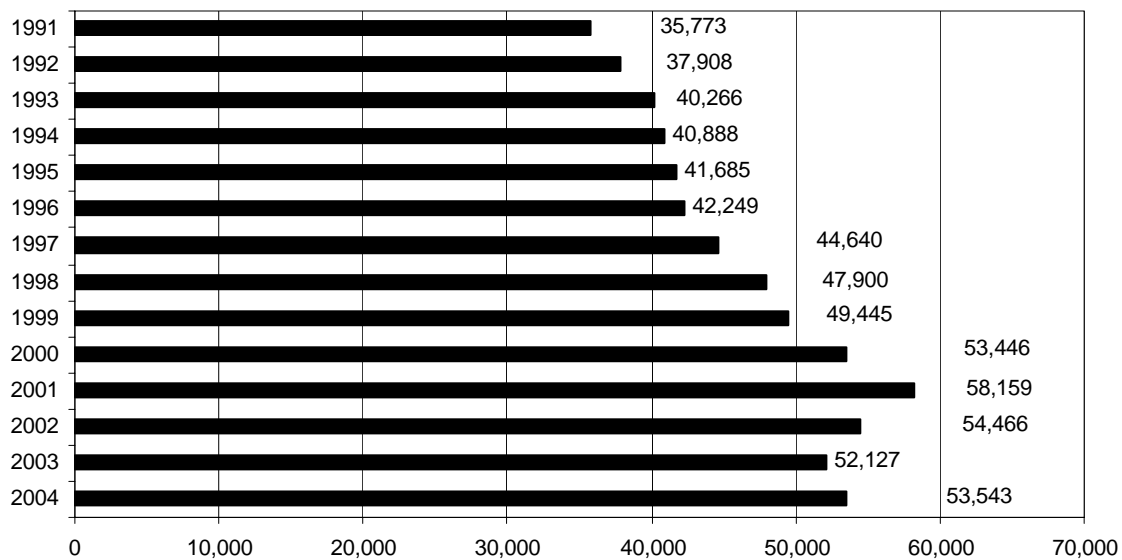
There is also potential for growth beyond 5 percent in heavy construction should any of the GARVEE Bond highway projects get under way over the next 18 months. That bonding plan will use future anticipated federal highway fund payments to the state to finance \$1.6 billion in major road projects now.

Recent business expansion and relocation decisions have also brought hundreds of new jobs into the pipeline — part of the 19,000 jobs the Idaho economy is now projected to create through mid-2007.

The new Marathon Cheese plant in Elmore County promises 250 jobs by next fall.

Cabela's, a national sporting goods retailer, has announced plans for a large store in Boise that will employ 200.

FYI Chart 2: High-Tech Jobs in Idaho, 1991-2004



Home Depot is opening a Sandpoint store with 110 jobs. The Northern Idaho Advanced Care Hospital plans to open its long-term acute care facility later this year with 100 workers.

Premier Technology's expansion in eastern Idaho will create 65 more jobs there.

Idaho Commerce & Labor Director Roger B. Madsen's recent trip to India

has led to a delegation of Indian businessmen coming to Idaho in March, offering another possibility for business investment.

Overall job growth in the past few years has been in the service sector — about 4 percent in the current fiscal year and probably about 3.2 percent in Fiscal Year 2007. Of the 19,000 new jobs forecast through mid-2007, 3,000 will be in health care and social assistance, another 2,000 in administrative services, 2,000 in wholesale and retail trade and 1,000 each in food services and local government. The increase in production-sector jobs will run around 3,800 — and well over half of them in construction. See FYI Chart 4 on page 23.

Tourism has rebounded strongly from the fallout of the 2001 terror attacks and the subsequent national recession. A recent analysis by Global Insights found about 70,000 workers owed their jobs, at least in part, to tourism — one of every 10. Last year, lodging sales exceeded \$300 million for the first time ever in Idaho, increasing over 7 percent to finally match the growth rates the state was experiencing before 2001.

Growth of at least 5.5 percent was expected in 2006.

The wet fall and January have bolstered prospects that there may be at least a break in the drought of the past six years, and that could help maintain some semblance of normalcy in rural Idaho, especially in the south central part of the state where surface and groundwater users have been at odds.

The fallout from the national recession on Idaho's manufacturing sector, however, does raise some concerns about wages.

Commerce & Labor analysts anticipate average annual pay in Idaho will rise 3.1 percent from mid-2006 to mid-2007. But even with Idaho's overall economic growth and job expansion, the state's average annual wage as compared to the national average wage has continued to decrease during this decade. In 2000 before the decline of Idaho's high-tech sector, the average wage was 78.5 percent of the national average. At the end of 2004, it had fallen to 75.9 percent. In dollars, that meant \$9,500 less for the average Idaho wage earner than his national counterpart.

A recent analysis by the Bureau of Labor Statistics also found that 8.6 percent of Idaho's work force held down more than one job in 2004. Only six other states had a higher percentage of multiple jobholders — Wyoming, Utah, Montana, North and South Dakota and Kansas. That same analysis showed the incidence of multiple jobs was on the rise in Idaho — up a half percentage point from 2003. Only six other states posted larger increases. They included Wyoming and South Dakota.

Only Butte County, home to Idaho National Laboratory and its highly educated researchers and scientists, had an average annual wage in excess of the national aver-

age. Ada County, Idaho's most populated, economically diverse and dynamic, ranked second, but it was 9 percent below the national average.

The market place drives wages, and Idaho's ever-tightening labor market appears to be putting upward pressure on wages. In the past year, national and state wage surveys show Idaho wages rising faster than wages nationally. By comparison, Idaho's average wage was up 3 percent to 2.5 percent nationally while the median wage — the level at which 50 percent of the workers are paid more and 50 percent less — rose 3.7 percent compared to a national increase of just 2.4 percent.

In addition, a proposal is being developed for consideration by the Workforce Development Council to impose an hourly wage minimum — probably around \$10 — on jobs being filled by workers trained under the Workforce Development Training Fund. That would still be \$3 below the median wage in Idaho but would elevate the financial quality of jobs for employers receiving this government subsidy.

That proposal would likely also include a requirement that those jobs carry a benefit package that includes health coverage.

In general, a strong, growing economy should go a long way to boosting wages. The record low unemployment rates seem to be forcing wages higher as employers compete for the dwindling supply of skilled workers.

There is also little doubt, under the existing economic outlook, that Idaho's labor pool will remain tight. The state's monthly unemployment rate has been below the national rate since December 2001 and should remain below the national rate for the foreseeable future.

Following the record low 3.9 percent average unemployment rate for 2005, the Idaho Commerce & Labor forecast calls for the rate to drop significantly again in 2006 to 3.4 percent and then stay there through 2007.

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FYI Chart 3: Unemployment Insurance Benefits By County — 2004 and 2005

County	Weeks Compensated			Amount Paid		
	2005	2004	% Chg	2005	2004	% Chg
Ada	101,843	127,060	-19.8%	\$24,618,254	\$29,808,620	-17.4%
Adams	3,115	3,966	-21.5%	\$773,388	\$963,087	-19.7%
Bannock	28,254	37,203	-24.1%	\$6,355,994	\$8,138,431	-21.9%
Bear lake	1,977	2,128	-7.1%	\$446,304	\$466,559	-4.3%
Benewah	6,746	7,715	-12.6%	\$1,667,648	\$1,840,785	-9.4%
Bingham	17,881	20,839	-14.2%	\$3,931,180	\$4,345,342	-9.5%
Blaine	7,846	10,303	-23.8%	\$2,036,452	\$2,654,784	-23.3%
Boise	3,304	3,444	-4.1%	\$800,217	\$792,535	1.0%
Bonner	21,488	24,326	-11.7%	\$4,917,620	\$5,296,225	-7.1%
Bonneville	26,901	29,887	-10.0%	\$6,102,165	\$6,732,191	-9.4%
Boundary	8,977	7,010	28.1%	\$2,066,914	\$1,586,107	30.3%
Butte	789	1,037	-23.9%	\$192,150	\$261,725	-26.6%
Camas	651	580	12.2%	\$165,014	\$135,608	21.7%
Canyon	75,193	99,334	-24.3%	\$15,887,492	\$20,889,309	-23.9%
Caribou	3,507	3,965	-11.6%	\$886,609	\$933,289	-5.0%
Cassia	9,832	13,383	-26.5%	\$1,965,551	\$2,717,205	-27.7%
Clark	332	762	-56.4%	\$72,428	\$152,119	-52.4%
Clearwater	6,988	7,738	-9.7%	\$1,697,392	\$1,849,587	-8.2%
Custer	2,304	2,626	-12.3%	\$518,022	\$570,133	-9.1%
Elmore	8,472	9,437	-10.2%	\$1,731,341	\$1,909,690	-9.3%
Franklin	1,010	1,092	-7.5%	\$207,212	\$240,396	-13.8%
Fremont	5,559	6,219	-10.6%	\$1,245,570	\$1,351,587	-7.8%
Gem	7,086	8,470	-16.3%	\$1,617,072	\$1,886,318	-14.3%
Gooding	4,468	5,802	-23.0%	\$981,792	\$1,278,657	-23.2%
Idaho	9,817	10,467	-6.2%	\$2,246,331	\$2,318,670	-3.1%
Jefferson	6,865	7,799	-12.0%	\$1,650,420	\$1,830,977	-9.9%
Jerome	6,953	8,880	-21.7%	\$1,514,071	\$1,970,549	-23.2%
Kootenai	51,873	66,317	-21.8%	\$11,568,563	\$13,896,870	-16.8%
Latah	8,620	8,862	-2.7%	\$2,090,278	\$2,106,249	-0.8%
Lemhi	5,096	5,581	-8.7%	\$1,107,309	\$1,167,422	-5.1%
Lewis	612	605	1.2%	\$147,033	\$126,925	15.8%
Lincoln	2,367	2,845	-16.8%	\$603,840	\$696,423	-13.3%
Madison	4,413	4,622	-4.5%	\$968,300	\$976,004	-0.8%
Minidoka	13,745	18,977	-27.6%	\$2,612,301	\$3,749,374	-30.3%
Nez Perce	13,935	14,583	-4.4%	\$3,123,279	\$3,160,777	-1.2%
Oneida	438	569	-23.0%	\$97,426	\$112,740	-13.6%
Owyhee	620	818	-24.2%	\$132,983	\$182,841	-27.3%
Payette	9,951	11,478	-13.3%	\$1,937,783	\$2,280,352	-15.0%
Power	4,587	6,274	-26.9%	\$914,688	\$1,202,237	-23.9%
Shoshone	9,494	10,630	-10.7%	\$2,097,839	\$2,218,047	-5.4%
Teton	1,515	1,711	-11.5%	\$362,528	\$422,885	-14.3%
Twin Falls	25,304	32,511	-22.2%	\$5,355,554	\$6,688,319	-19.9%
Valley	5,116	6,875	-25.6%	\$1,243,201	\$1,570,116	-20.8%
Washington	4,524	6,090	-25.7%	\$905,164	\$1,138,435	-20.5%
Unknown counties	204	139	46.8%	\$45,334	\$24,294	86.6%
State Total	540,572	660,959	-18.2%	\$121,608,005	\$144,640,792	-15.9%

Idaho Commerce & Labor

FYI Chart 4: Idaho Employment Projections by Industry, July-June 2004-2005, 2005-2006, 2006-2007

Industry	2004-2005	2005-2006	Percent Growth	2006-2007	Percent Growth
11 - Agriculture, Forestry, Fishing and Hunting	21,140	21,096	-0.21%	21,378	1.34%
21 - Mining	1,966	2,091	6.37%	2,133	2.03%
22 - Utilities	1,903	1,905	0.12%	1,918	0.65%
23 - Construction	42,124	46,222	9.73%	48,993	6.00%
31-32 - Manufacturing	33,654	33,395	-0.77%	33,338	-0.17%
33 - Manufacturing	30,343	31,177	2.75%	31,799	2.00%
42 - Wholesale Trade	26,176	27,100	3.53%	27,666	2.09%
44-45 - Retail Trade	74,979	77,247	3.02%	78,941	2.19%
48-49 - Transportation and Warehousing	17,009	17,351	2.01%	17,643	1.68%
51 - Information	10,638	10,422	-2.03%	10,861	4.21%
52 - Finance and Insurance	18,981	19,807	4.35%	20,558	3.79%
53 - Real Estate and Rental and Leasing	7,729	8,301	7.39%	8,830	6.38%
54 - Professional, Scientific, and Technical Services	30,009	31,129	3.73%	31,847	2.31%
55 - Management of Companies and Enterprises	7,503	7,647	1.93%	7,853	2.70%
56 - Administrative and Support and Waste Management and Remediation Services	37,603	39,651	5.45%	40,808	2.92%
61 - Educational Services	4,546	4,879	7.32%	5,139	5.34%
62 - Health Care and Social Assistance	59,081	61,257	3.68%	64,136	4.70%
71 - Arts, Entertainment, and Recreation	7,548	7,671	1.63%	7,857	2.43%
72 - Accommodation and Food Services	48,609	49,644	2.13%	50,599	1.92%
81 - Other Services (except Public Administration)	14,770	15,050	1.90%	15,300	1.66%
91 Total Federal Government	13,255	13,066	-1.43%	14,399	10.20%
92 Total State Government	25,325	25,305	-0.08%	25,743	1.73%
93 Total Local Government	70,657	78,598	11.24%	80,945	2.99%
Total	605,546	630,008	4.04%	648,681	2.96%

Source: Idaho Commerce & Labor